

Message Text

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PAGE 01 STATE 036055

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ORIGIN NEA-12

INFO OCT-01 ISO-00 TRSE-00 PM-07 DODE-00 AID-20 SPC-03

CIAE-00 INR-10 NSAE-00 RSC-01 OMB-01 CIEP-02 L-03

/060 R

DRAFTED BY NEA/TUR:HEKIRBY:TREASURY:CROSSWHITE:EF

APPROVED BY NEA/TUR:RSDILLON

PM/SAS:MR. JAMES

DOD/DSAA:MR. BETTELEY

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R 222148Z FEB 74

FM SECSTATE WASHDC

TO AMEMBASSY ANKARA

C O N F I D E N T I A L STATE 036055

E.O. 11652 GDS

TAGS: MASS, TU

SUBJECT: FY74 CREDIT ASSISTANCE FOR TURKEY

REF: A. ANKARA 1165; B. STATE 224457 OF NOV. 14, 1973

1. TURKISH EMBASSY FEBRUARY 19 QUESTIONED DEPARTMENT ABOUT HOW GUARANTY FEE IS CALCULATED FOR PRIVATE CREDIT PORTION OF FY74 FUNDING FOR F-4 AIRCRAFT PURCHASE. AFTER CHECKING WITH TREASURY AND DOD, WE HAVE ADVISED EMBASSY FEE IS ONE-FOURTH OF ONE PERCENT OF LOAN'S PRINCIPAL. THUS, GUARANTY FEE FOR TWO PRIVATE LOANS TOTALING 30 MILLION DOLLARS, WHICH WILL SHORTLY BE SIGNED BY EMBASSY REPRESENTATIVE, IS 75,000 DOLLARS. TO REPEAT, THIS IS CALCULATED ON BASIS OF ONE-FOURTH OF 1 PERCENT OF LOAN'S PRINCIPAL AMOUNT ONLY.

2. TWO POINTS SHOULD CLARIFY THE ABOVE AND EXPLAIN ITS VARIANCE FROM INFORMATION TRANSMITTED IN REF B: (1) WHEN ORIGINAL OFFER OF 30 MILLION DOLLARS FIRST TRANCHE OF FY74 FMS CREDIT WAS PROPOSED, IT WAS NECESSARY FOR USG TO
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PAGE 02 STATE 036055

COLLECT THE GUARANTY FEE FOR BOTH PRINCIPAL AND 60 PERCENT

OF ONE YEAR'S INTEREST OF PRIVATE CREDIT PORTION OF LOAN.
NEW SECURITY ASSISTANCE LEGISLATION PASSED DECEMBER 17,
1973 (PL 93-189) CHANGED THE GUARANTY RESERVE REQUIREMENT

SO THAT IT IS NOW CALCULATED ON PRINCIPAL AMOUNT ONLY,
EVEN THOUGH BOTH PRINCIPAL AND ONE HUNDRED PERCENT OF
INTEREST ARE GUARANTEED. (2) WHEN ORIGINAL OFFER OF
30 MILLION DOLLARS FIRST TRANCHE MENTIONED ABOVE WAS
LATER INCREASED TO FULL FY74 FMS CREDIT ALLOCATION
(75 MILLION DOLLARS), IT FOLLOWED THAT THE PRIVATE CREDIT
PORTION INCREASED FROM 12 MILLION DOLLARS TO 30 MILLION
DOLLARS. THE GUARANTY FEE OF 75,000 DOLLARS (ONE-
FOURTH OF ONE PERCENT OF 30 MILLION DOLLARS) COMPARES
WITH 78,832.65 DOLLARS, TURKS WOULD HAVE HAD TO PAY HAD
NOT NEW LEGISLATION ELIMINATED REQUIREMENT THAT GUARANTY
FEE BE LEVIED ON A PERCENTAGE OF THE LOAN'S
INTEREST. RUSH

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